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Prince Edward Island
CANADA

Risk Management and Insurance

Annual Report 2010-2011

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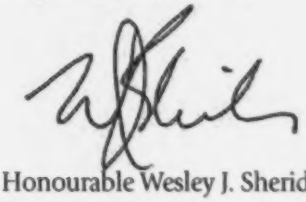
Message from the Minister

The Honourable H. Frank Lewis
Lieutenant Governor of Prince Edward Island
PO Box 2000
Charlottetown, PE C1A 7N8

May it please your Honour:

Pursuant to the *Financial Administration Act* it is my privilege to submit the Annual Report of the Risk Management and Insurance Section and the financial statement of the PEI Self-Insurance and Risk Management Fund for the period ending March 31, 2011

Respectfully submitted,



Honourable Wesley J. Sheridan
Provincial Treasurer

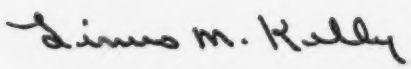
Message from the Manager

Honourable Wesley J. Sheridan
Provincial Treasurer
Second Floor South, Shaw Building
95 Rochford Street
PO Box 2000
Charlottetown, PE C1A 7N8

Dear Mr. Sheridan:

It is my privilege to submit the annual report of the Risk Management and Insurance Section of the Department of Finance and Municipal Affairs. (RM&I). Included in this report are the audited financial statements of the PEI Self-Insurance and Risk Management Fund for the year ending March 31st, 2010.

Respectfully submitted,



Linus M. Kelly, BA, CIP, CRM, Manager
Risk Management and Insurance Section

Mandate of the Risk Management and Insurance Section (RM&I)

Mandate

Our section's mandate is to develop, implement and maintain Government's risk management and self-insurance programs, with the goal of eliminating or minimizing the potential for loss to Government departments, crown corporations, agencies, commissions, Health PEI and school boards/district. The objective is to provide a quality service which protects public sector assets and programs, to control losses when they occur, by providing a professional claims management service to our insureds and the public we serve. We focus on providing professional risk management and insurance advice on a daily basis, which is essential to the many programs our clients deliver to the general population.

Manager's Overview

In 1986 the PEI Self-insurance and Risk Management Fund (Fund) was established by The Government of Prince Edward Island under the *Financial Administration Act*. The volatile insurance market of the day caused premiums to escalate, and there was a reluctance to insure Government sector entities. To counter the effects of escalating premiums and diminishing coverage limits, it was the decision of Government to establish its own self-insurance program. For 10 years the program insured the liability exposures for Government, the health sector and school boards/ district. The program has been responsible for creating a fund of approximately $6.5 million, paying claim and administration costs, while establishing risk and claims management services designed specifically for Government and all associated PEI public sector organizations.

In 1997 property premiums with private insurers were increasing. The increased rates were a reflection of trends in the world marketplace and not the loss experience of the Province. A decision was made to increase our loss retention to $500,000 on Government, school and health sector properties. Treasury Board approved including these exposures under the umbrella of the existing self-insurance fund. Stop loss insurance with an aggregate of $1 million is purchased to limit Government's exposure for any one policy year and for any one loss. Although the events of September 2001 had a devastating effect on the insurance marketplace, Government was able to maintain stability with its rates, due to the capacity of the fund. In 2005 the program was further expanded to insure the entire automobile fleets of Government, health and school boards/district under the fund. Government Departments, Agencies, Commissions, Crown Corporations and School Boards realized an immediate premium savings of approximately 40 per cent. In 2011 due to soft market conditions we were able to negotiate a reduction of our property loss retention from $500,000 to $250,000.

The growth of the PEI Self-insurance and Risk Management Fund, over the last 25 years, has required my section to expand its risk capacity and the professional services needed for our clients to manage new risks, more effectively. We now have a diversified book of business and only special risks are insured entirely in the private sector market.

The terrorism crisis of 2001 has changed the dynamic on how public sector entities view risk. Risk Management and Insurance continues to expand programs and services to our clients in Government and other public sector entities funded by Government. We have been able to negotiate favourable premiums with a balance between very low risk property and liability exposures with those which by nature of the business conducted are more likely to have claims made against them.

There is a growing trend for more claims to be brought against Government and other public sector entities including School Boards who are responsible for managing the risks associated with our public education system. RM&I is more vigilant than ever in managing files which have potential for significant legal costs before actual litigation.

The potential for a monetary windfall makes the litigation process more attractive than ever. Lawsuits that were previously seen as frivolous or vexatious are now allowed into the legal process. To counter this trend, and minimize court time and legal costs, litigants can now use a "mediation" process which has saved the Fund considerable money in legal fees and court costs.

Services Provided by Risk Management and Insurance to Government Departments, Crown Corporations, Agencies, Commissions, Health PEI and School Boards/Districts

Property Risk Inspections/Engineering Surveys electronic versions are stored in a database, WAIS, of the Risk Management and Insurance Section and are made available to clients.

- School playground inspections are completed in conjunction with school board maintenance and administration staff.
- Coordinate consultant studies on major projects and critical risk-management issues of the day.
- Answer frequent inquiries and provide direction to management as it relates to loss control, legal liability issues and current claim files.
- Perform risk assessments for specific clients and develop with them in partnership an effective risk-management strategy.
- Negotiate settlements of claim files with the general public, or alternatively provide understandable explanations why particular claims will not be paid.
- Coordinate seminars and make presentations to clients of Risk Management and Insurance. The seminars are designed to target risk exposures/concerns of the client, using practical risk management practices and insurance principles.
- Issuance of Certificate of Insurance for all classes of coverage provided by the PEI Self-Insurance and Risk Management Fund.
- Provide consultation services to Procurement Services regarding requests for proposals with recommendations on insurance requirements for vendors and specific language which transfers risk from Government to the service providor.
- Facilitation with Department of Health Management in negotiating contracts with a broad sector of service providers with an objective to confirm vendors are adequately insured and the contract language is fair in terms of legal responsibilities.
- Review IT contracts and confirm with vendors a Government entity can and will provide insurance coverages as required in the contract and recommend language which will make the service providers accept legal responsibility for their programs and services.
- Support a program where qualified persons meet with families and health care professionals to examine why a particular client had an unfavourable and unexpected experience.
- We will introduce a new enhancement to our claims management software which will allow RM & I to more accurately quantify reserves on open claims.

Summary

Although the demands for services with immediate time lines is an inevitable trend in our business, we have become more efficient in how we manage our client's needs. It has been our experience that clients who have internal resources with risk management and insurance knowledge can respond and provide direction with minimum consultation. For this reason we are providing more training and direction to selected individuals. Our section can approve a policy and procedure for clients rather than develop it for them.

The insurance marketplace sees Government and related entities as a source to generate revenue for their business, as a broker or insurer. Naturally, we welcome their invitations to do business, but want to maintain a level playing field when it comes to competitive quotations for our risks to be insured above and beyond our self retention values.

Brokers and insurers must be willing to insure a broad spectrum of risks in our liability, property, fiduciary and auto portfolios. It is not uncommon for us to solicit quotations for specific risks we do not wish to expose our Fund to for a variety of loss control or insurance reasons. The P.E.I. Self-Insurance and Risk Management Fund continues to perform very well financially. The Auditor General's Office have modified our financial statements to allocate more for losses which have occurred but are not yet reported (IBNR). This together with an increase in reserves will impact on the expense side of the statements. It is anticipated after the initial spike, these figures will trend downward if our claims experience continues as it has in the last twenty-five years.

In recent years we have been actively involved in the contract process to minimize risks associated with doing business with private sector vendors. The demands for our expertise in this area has expanded particularly with the Health Sector, as they realize the potential risk exposures with the many students training in their environment, as well as the large number of vendors providing IT support, and other goods and services to our hospitals, manors, and senior homes. Health PEI will be required to commit resources to effectively manage risk in order to keep premiums from reducing dollar resources for programs and professionals. We are encouraged to see the cooperation and resources, initiatives like "Business Continuity Plans" are receiving. These are risk management strategies developed by senior management throughout Government. This strategic management exercise will minimize risk to Government services and assets.

Excess Health PEI insurers will review existing claim files and make recommendations for any potential improvements on how these files could be managed from a quality risk management, legal or accounting perspective. Our departmental accounting professionals are working with RM & I to exact information from our claims information system. This information can then be converted into spreadsheets and reports which have value for audit analysis and for generating quarterly forecasts of the Funds performance.

Aperçu du gestionnaire

En 1986, le gouvernement de l'Île-du-Prince-Édouard, en vertu de la *Financial Administration Act* (loi relative à l'administration financière), a instauré le Fonds d'autoassurance et de gestion des risques de l'Î.-P.-É. (Fonds). Le marché volatil de l'assurance du jour a forcé l'augmentation des primes et on hésitait à assurer les entités du secteur gouvernemental. Pour parer aux effets des primes qui continuent sans cesse d'augmenter et des limites de couvertures en diminution, le gouvernement a décidé d'établir son propre programme d'autoassurance. Pendant 10 ans, le programme assurait les risques de responsabilité pour le gouvernement, le secteur de la santé ainsi que les commissions scolaires. Dans le cadre du programme, on a créé un fonds d'environ 6,5 millions de dollars pour payer les coûts de réclamation et d'administration, tout en établissant des services de gestion de risques et de réclamations précisément pour le gouvernement et toutes les organisations du secteur public de l'Î.-P.-É. y afférent.

En 1997, les primes sur les propriétés des assureurs privés augmentaient. Les taux plus élevés étaient un reflet des tendances du marché mondial et non pas de l'expérience de perte de la province. Une décision a donc été prise d'augmenter notre franchise à 500 000 $ sur les propriétés du gouvernement, des écoles et du secteur de la santé. Le Conseil du Trésor a accepté d'inclure ces engagements sous l'égide du fonds existant d'autoassurance. L'assurance en excédant de perte avec un agrégat d'un million de dollars a été contractée pour limiter le risque du gouvernement pour toute police d'un an et pour une seule perte. Bien que les événements de septembre 2001 ont eu un effet dévastateur sur le marché de l'assurance, le gouvernement a pu conserver une certaine stabilité pour ce qui est des taux, étant donné la capacité du fonds. En 2005, le programme a été élargi de nouveau pour assurer tous les parcs d'automobiles du gouvernement, du secteur de la santé et des commissions scolaires couverts par le fonds. Les ministères du gouvernement, les agences, les commissions, les sociétés d'État et les commissions scolaires ont constaté des économies financières immédiates d'environ 40 pour cent. En 2011, en raison de la faiblesse des marchés, nous avons pu négocier une réduction de notre franchise sur les propriétés, la faisant passer de 500 000 $ à 250 000 $.

La croissance du Fonds d'autoassurance et de gestion des risques de l'Î.-P.-É. au cours des vingt-cinq dernières années a fait que ma section a dû élargir sa capacité de risque et ses services professionnels nécessaires pour nos clients afin de gérer plus de risques de façon plus efficace. Nous avons maintenant un volume d'affaires diversifié, et seuls certains risques sont assurés entièrement par le secteur privé.

La crise de 2001 a changé la dynamique du risque pour les entités du secteur public. La Section de la gestion des risques et de l'assurance continue d'élargir ses programmes et ses services auprès de ses clients du gouvernement et d'autres entités du secteur public financés par le gouvernement. Nous avons été capables de négocier des primes favorables en obtenant un équilibre entre des propriétés et des risques de responsabilité à très faible risque, et des propriétés et des risques de responsabilité qui sont plus enclins à être soumis à des réclamations par la nature même des affaires qui y sont menées.

Il y a une tendance croissante du nombre de réclamations portées contre le gouvernement et autres entités du secteur public, comprenant les commissions scolaires qui sont chargées de gérer les risques associés au système d'éducation publique. La Section est plus vigilante que jamais dans la gestion des dossiers qui pourraient entraîner des coûts judiciaires élevés avant le début même du procès.

Le potentiel de gain financier rend le processus des litiges encore plus attirant. Les poursuites en justice qui autrefois étaient perçues comme étant futiles ou contrariantes sont maintenant permises dans l'acte judiciaire. Pour contrer cette tendance, et minimiser le temps aux tribunaux, les plaideurs peuvent maintenant faire usage d'un système de médiation qui a permis au Fonds d'épargner de larges sommes en frais judiciaires.

Services fournis par la Section de la gestion des risques et de l'assurance aux ministères gouvernementaux, aux sociétés de la Couronne, aux agences et commissions, à Santé Î.-P.-É. et aux commissions scolaires

- Les versions électroniques des inspections de risques aux propriétés/Enquêtes d'ingénierie sont conservées dans la base de données .ARMS de la Section de la gestion des risques et de l'assurance et sont disponibles aux clients.

- L'inspection des terrains de jeux des écoles sera exécutée en collaboration avec le personnel de l'entretien et de l'administration de la commission scolaire.

- La coordination des études de consultants sur des projets majeurs et des questions critiques de gestion des risques du jour.

- La réponse aux questions fréquentes et l'attribution de directives au personnel de gestion au sujet du contrôle des pertes, de questions de responsabilités juridiques et de dossiers actuels de réclamation.

- L'exécution des évaluations de risques pour des clients en particulier et l'élaboration, avec eux, d'une stratégie efficace de gestion des risques.

- La négociation de règlements de dossiers de réclamation avec le grand public ou l'explication claire quant aux raisons pour lesquelles certaines réclamations ne seront pas réglées.

- La coordination de séminaires et de présentations aux clients de la Section de la gestion des risques et de l'assurance. Les séminaires visent à cibler l'exposition aux risques/préoccupations du client, utilisant des pratiques de gestion des risques et des principes d'assurance utiles.

- La délivrance de certificats d'assurance pour toutes les catégories de couverture offertes par le Fonds d'autoassurance et de gestion des risques de l'Î.-P.-É.

- La prestation de services de consultation au service d'approvisionnement à l'égard de demandes de propositions, ainsi que la formulation de recommandations sur les exigences en matière d'assurance pour les vendeurs et sur le libellé exact qui sert à transférer le risque du gouvernement au fournisseur de services.

- La facilitation auprès de la direction du ministère de la Santé dans la négociation de contrats avec divers fournisseurs de services en vue de confirmer que les vendeurs sont assurés convenablement et que le libellé du contrat est juste quant aux responsabilités légales.

- La révision des contrats TI et la confirmation auprès des vendeurs qu'une entité gouvernementale assurera effectivement la couverture comme prescrit dans le contrat, ainsi que la recommandation du libellé qui engagera les fournisseurs de services à accepter la responsabilité légale pour leurs programmes et services.

- L'appui d'un programme dans le cadre duquel des personnes qualifiées rencontrent des familles et des professionnels de la santé en vue d'examiner pourquoi un client a vécu une expérience désavantageuse et imprévue.

- Le lancement prochain d'un logiciel de gestion des réclamations amélioré qui permettra à la Section de mieux quantifier les réserves disponibles pour payer les réclamations ouvertes.

Sommaire

Bien que la demande de services sans délai est une tendance inévitable dans notre domaine, nous avons amélioré notre efficacité de la gestion des besoins des clients. Selon notre expérience, les clients qui ont des ressources internes en matière de gestion de risque et une connaissance des assurances peuvent répondre aux clients et les orienter avec une consultation minimale. Pour cette raison, nous offrons une formation et une orientation supplémentaire à certaines personnes choisies. Notre section peut approuver une politique et une procédure pour les clients plutôt que de l'élaborer pour eux.

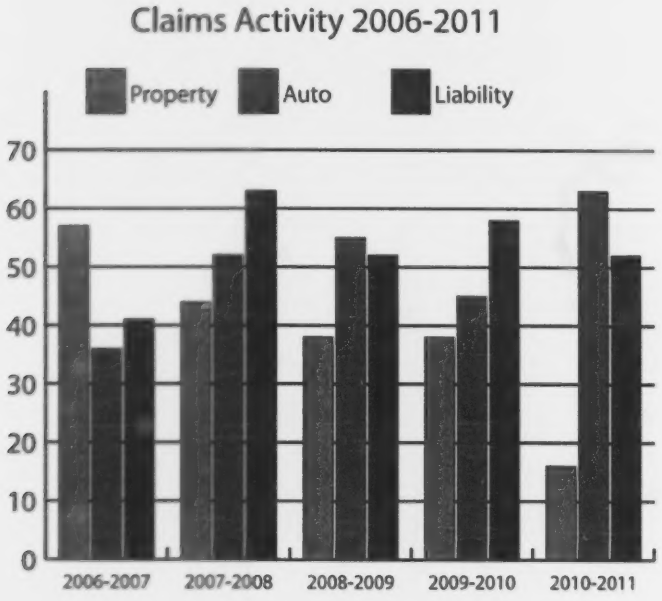
Le marché de l'assurance voit le gouvernement et les entités connexes comme une source de revenus pour leur entreprise, comme courtier d'assurance ou assurance. Évidemment, nous sommes ouverts à leurs invitations aux affaires, mais nous voulons maintenir les règles du jeu équitables quand vient le moment d'obtenir des présentations de prix concurrentielles pour nos risques afin d'être assurés au-delà de nos propres valeurs de rétention.

Les courtiers d'assurance et les assureurs doivent être disposés à assurer un vaste échantillon de risques dans nos portfolios de responsabilité, propriété, fiducies et automobiles. Il est fréquent pour nous de solliciter des propositions de prix pour des risques particuliers auxquels nous ne voulons pas exposer le fonds pour des raisons différentes de perte de maîtrise et d'assurances. Le Fonds d'autoassurance et de gestion des risques de l'Î.-P.-É. continue de bien remplir ses fonctions financières. Le Bureau du vérificateur général a apporté des modifications à nos états financiers afin d'affecter davantage de fonds aux réclamations subies, mais non déclarées. Cette mesure, de concert avec une augmentation des réserves, aura une incidence sur les états financiers du côté des dépenses. Nous prévoyons qu'après cette augmentation initiale, la tendance s'inversera et les chiffres seront à la baisse si la situation des réclamations demeure semblable à celle des vingt-cinq dernières années.

Dans les dernières années, nous avons participé activement au processus d'attribution de contrats afin de minimiser les risques associés aux affaires auprès des fournisseurs du secteur public. Les demandes pour notre expertise dans ce domaine ont augmenté en particulier dans le secteur de la santé, au moment où ils réalisent les risques de responsabilité potentiels en raison des nombreux étudiants qui suivent une formation dans leur milieu, ainsi qu'avec un grand nombre de fournisseurs offrant du soutien TI et d'autres biens et services dans nos hôpitaux et nos foyers de soins. Santé Î.-P.-É. devra affecter des ressources à la gestion efficace des risques afin d'éviter que les primes ne réduisent les ressources monétaires réservées aux programmes et ressources. Il est encourageant de voir la coopération et les ressources que reçoivent des initiatives telles que les plans de continuité des activités. Ces stratégies de gestion de risques ont été mises au point par la haute direction dans l'ensemble du gouvernement. Cet exercice de gestion stratégique minimisera le risque que comportent les services et biens du gouvernement.

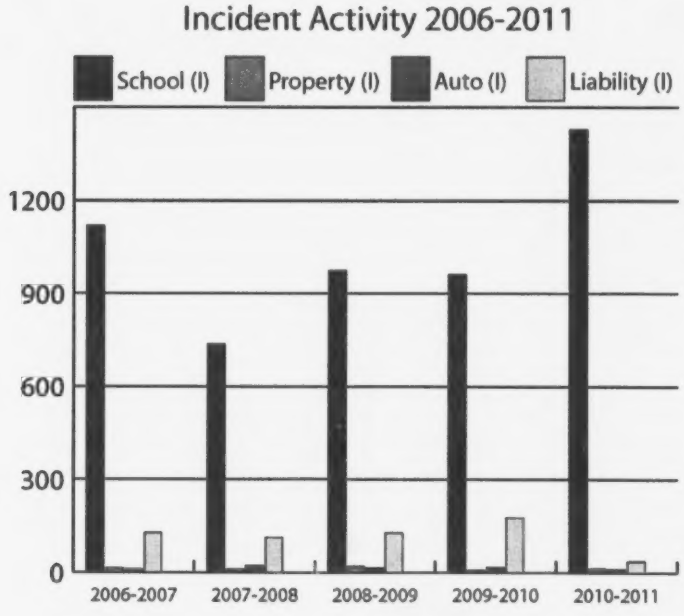
Certains assureurs de Santé Î.-P.-É. réviseront les dossiers de réclamations actuelles et formuleront des recommandations quant à l'amélioration de la gestion de ces dossiers, au niveau de la gestion des risques de qualité, de la comptabilité ou au plan juridique. Les comptables professionnels du ministère travaillent avec la Section pour extraire des données de notre système d'information sur les réclamations. Cette information peut alors être convertie en feuilles de calcul et en rapports qui peuvent servir à l'analyse de vérification ainsi qu'à la formulation de prévisions trimestrielles sur le rendement du fonds.

Claims Activity Report



Claims	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Property	57	44	38	38	16
Auto	36	52	55	45	63
Liability	41	63	52	58	52

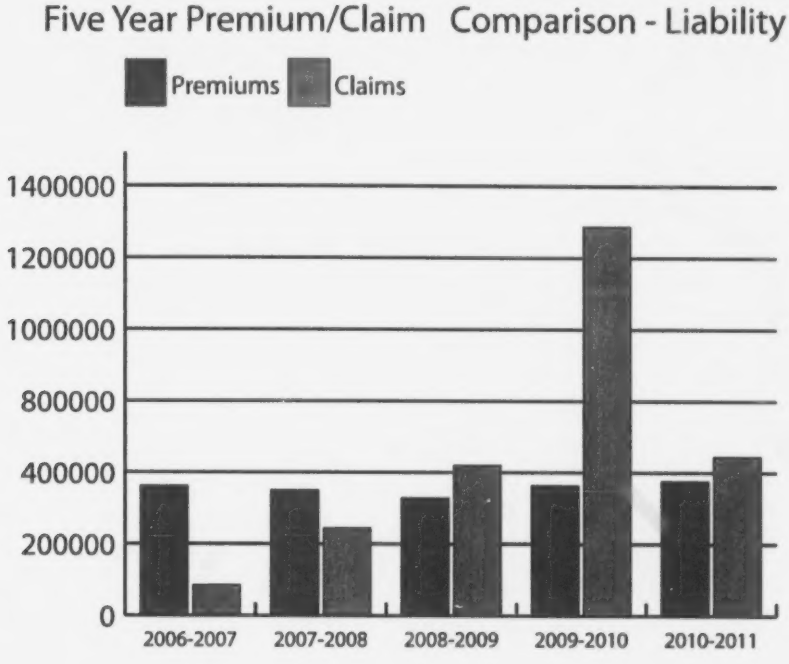
Incidents Activity Report

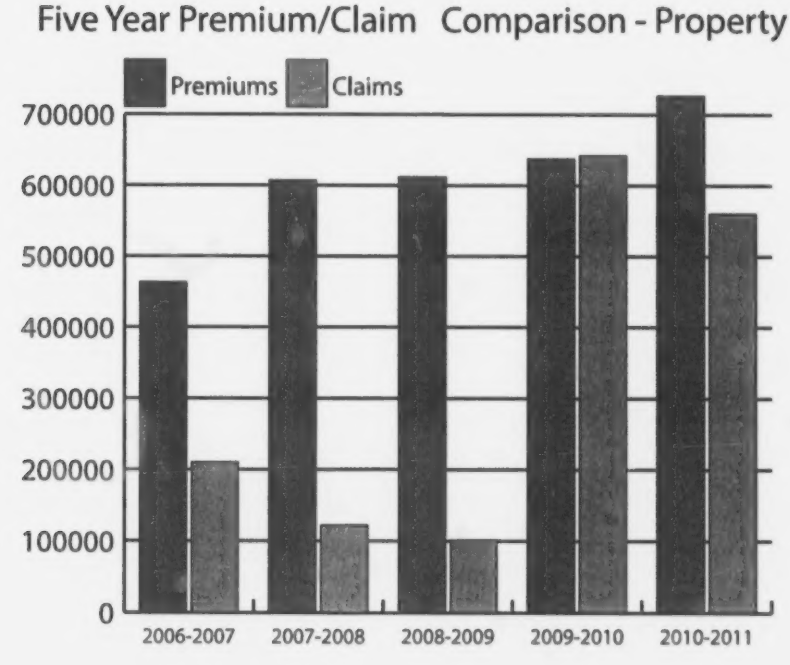


Incidents	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
School (I)	1120	737	973	961	1429
Property (I)	14	10	21	7	14
Auto (I)	10	23	15	18	12
Liability (I)	128	113	128	177	37
TOTAL	1272	883	1137	1163	1492

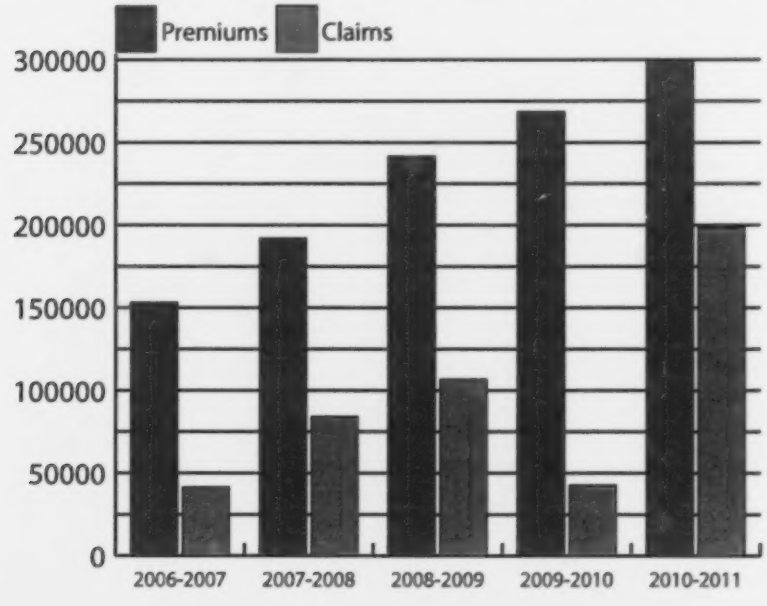
Incidents (I) = Number of written reports received for each class of incident and files opened in the event a claim is pursued.

Five Year Premium/Claim Comparison

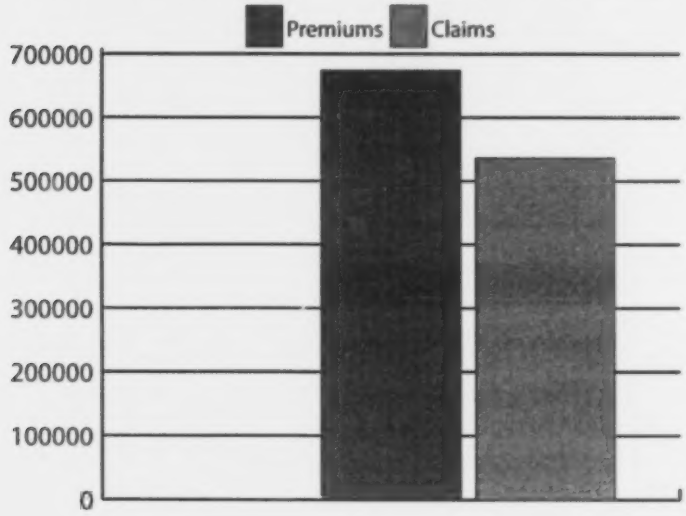




Five Year Premium/Claim Comparison - Automobile



Five Year Premium/Claim Comparison - All Classes



Loss Ratios

	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Liability	23%	70%	128%	299%	118%
Property	45%	20%	17%	101%	77%
Automobile	27%	44%	44%	16%	66%

Five Year Loss Ratio for Self Insured Risk Management Fund all classes 80%

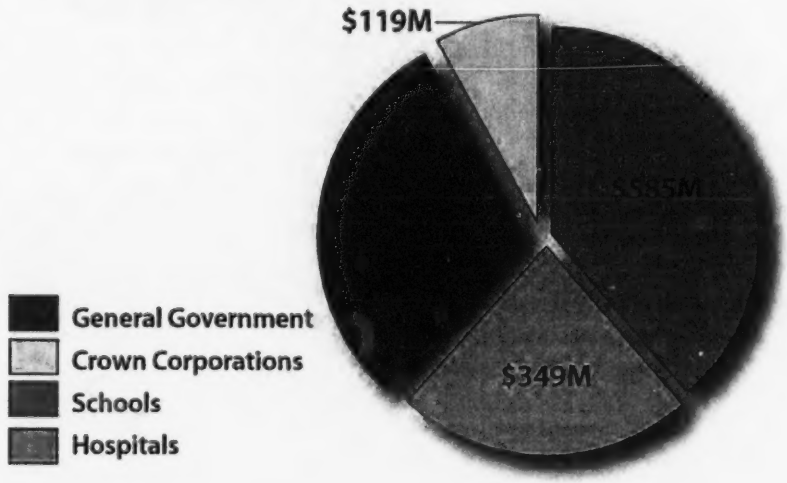
Loss Ratios are compiled for each fiscal year in order to establish whether current premiums charged are adequate to maintain the Self Insurance Risk Management Fund. Premiums are net after payments for excess insurance purchased over and above self insured retentions. Premiums for Property and Automobile include payment from General Government which cover deductibles under property insurance and physical damage claims to owned automobiles under the automobile insurance program. Property premiums include $98,000.00 allocation and automobile premiums include a $42,000,00 allocation. Claim statistics for the loss ratios are derived for each fiscal year using the Insurance & Risk Management Information System (IRMIS). File Contents Listings are reviewed each year, outstanding reserves and net claims costs are combined to arrive at the total claim exposure. Once Premium and Claim statistics are complied the total amount of the claims are divided into the premium and multiplied by 100% in order to arrive at the Loss Ratio.

Insured Property Values/Auto Fleet Statistics

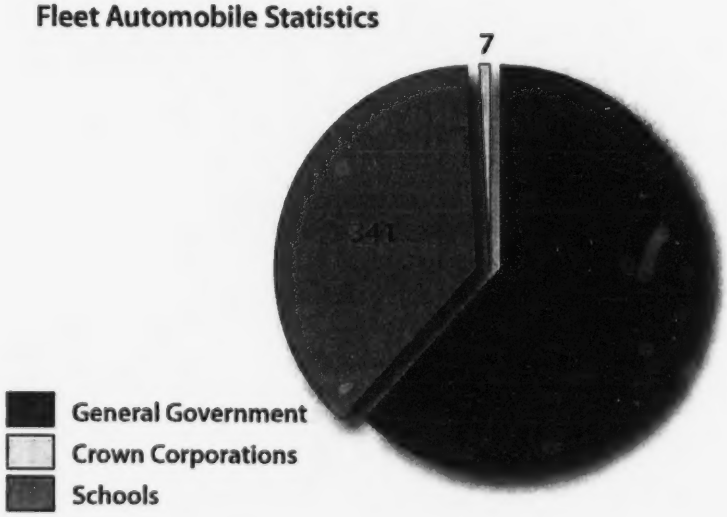
Insured Property Values (Building/Equipment/Contents)

Insured	Number of Locations	Building Values	Contractors Equipment Values	Content Values	Total
General Government	410	$356,007,729	$29,420,090	$74,843,238	$460,271,057
Crown Corporations	117	$94,338,146	$9,198,847	$15,784,922	$119,321,915
Schools	76	$531,498,249		$53,149,824	$584,648,073
Hospitals	8	$271,440,523		$77,692,533	$349,133,056
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Total Insured Property Values - $1.51 Billion



Fleet Automobile Statistics



Staff

Linus Kelly, BA, CIP, CRM
Manager
Risk Management/Loss Control/Claims

Marie Kemp, CIP
Claims/Underwriting

Lorna Jenkins
Administration/Accounting

P. E. I. Self-Insurance and Risk Management Fund

Financial Statements

March 31, 2011

AUDITOR GENERAL

CHARLOTTETOWN

PRINCE EDWARD ISLAND

PRINCE EDWARD ISLAND

SELF-INSURANCE AND RISK MANAGEMENT FUND

FINANCIAL STATEMENTS

MARCH 31, 2011

AUDITOR GENERAL

CHARLOTTETOWN
PRINCE EDWARD ISLAND

AUDITOR'S REPORT

To the Members of Treasury Board:

I have audited the financial statements of the **Prince Edward Island Self-Insurance and Risk Management Fund**, which comprise the balance sheet as at March 31, 2011, and the statement of revenues, expenses and Fund balance for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles for the private sector and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2011, and its financial performance and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for the private sector.

Colin Younker, CA
Auditor General

Charlottetown, Prince Edward Island
(Date)

PRINCE EDWARD ISLAND

SELF-INSURANCE AND RISK MANAGEMENT FUND

BALANCE SHEET

AS AT MARCH 31, 2011

	2011 $	2010 $
ASSETS		
Current Assets		
Accounts receivable		
Province of Prince Edward Island (Note 3)	8,505,205	8,871,547
Recoveries (Notes 2(d), 3)	604,105	98,762
Other	4,753	3,000
	9,114,063	8,973,309
Prepaid expenses	190,527	191,729
Total Assets	9,304,590	9,165,038
LIABILITIES AND FUND BALANCE		
Current Liabilities		
Accounts payable	27,361	136,861
Unearned premiums (Note 2(f))	366,264	373,137
	393,625	509,998
Reserve for unsettled claims (Notes 2(b), 4)	4,020,697	2,552,751
Fund balance	4,890,268	6,102,289
Total Liabilities and Fund Balance	9,304,590	9,165,038

(The accompanying notes are an integral part of these financial statements.)

APPROVED ON BEHALF OF TREASURY BOARD:

MEMBER: _____

MEMBER: _____

PRINCE EDWARD ISLAND

SELF-INSURANCE AND RISK MANAGEMENT FUND

STATEMENT OF REVENUES, EXPENSES AND FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2011

	2011 $	2010 $
Revenues		
Insurance premiums (Notes 2(a), 5)	2,831,728	2,621,252
Interest (Note 3)	2,924	4,734
Grant in lieu of interest (Note 3)	175,000	175,000
Claim recoveries (Note 6)	627,385	344,080
	3,637,037	3,145,066
Expenses		
Claims (Note 4)	3,313,377	2,993,585
Consulting (Note 7)	84,400	101,020
Insurance premiums (Note 8)	1,269,676	1,197,175
Office and travel	10,225	6,882
Salary and benefits (Note 2(c))	171,380	261,421
	4,849,058	4,560,083
Net loss for the year	1,212,021	1,415,017
Fund balance, beginning of year	6,102,289	7,517,306
Fund balance, end of year	4,890,268	6,102,289

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND

SELF-INSURANCE AND RISK MANAGEMENT FUND

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

1. Nature of Operations

The Prince Edward Island Self-Insurance and Risk Management Fund (the Fund) was established under Part II of the *Financial Administration Act*. The Fund provides risk management services, as well as, general liability, errors and omissions, primary property, crime and automobile liability insurance for government entities. The Fund has risk management obligations that cause it to incur expenses related to claims that may not necessarily be covered under an insurance policy. The Fund is administered by Treasury Board.

2. Summary of Significant Accounting Policies

Basis of Accounting

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the private sector. The following is a summary of significant accounting policies used in preparation of these financial statements.

a) Revenues and Expenses

Revenues and expenses are recorded on an accrual basis in the period to which the transactions or events that gave rise to the revenues or expenses occurred. Certain costs incurred by the Province on behalf of the Fund are not reflected in the financial statements. These costs include vacation and future employee benefits, office accommodations and other administrative expenses.

b) Reserve for Unsettled Claims

The reserve for unsettled claims represents management's best estimate of the total costs, including investigation and the projected final settlements, of specific claims incurred as of balance sheet date. It also includes a general reserve to cover possible claims incurred as of balance sheet date but not yet reported to management.

c) Employee Future Benefits

Permanent Employees of the Fund participate in the Province of Prince Edward Island Civil Service Superannuation Plan (the Plan) which is a multi-employer contributory defined benefit pension plan. The plan provides a pension on retirement based on two percent of the average salary for the highest three years times the number of years of pensionable service. The Plan is administered by the Province of Prince Edward Island. The Fund's annual portion of the contributions to the Plan are paid by the Province and recognized on the Province's financial statements. Any unfunded liability is the responsibility of the Province and therefore no liability has been recognized in these financial statements.

d) Recoveries

Recoveries represents management's best estimate of the full amount of costs that can be recovered or are receivable, less any amounts that are uncollectible.

2. Summary of Significant Accounting Policies (continued...)

e) Use of Estimates

The preparation of the Fund's financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and the differences could be material. The item requiring the use of significant estimates is the reserve for unsettled claims.

f) Unearned Premiums

Unearned premiums represent revenues received for insurance coverage beyond March 31, 2011.

g) Future Accounting Pronouncements

The Canadian Institute of Chartered Accountants has announced planned changes to current Canadian generally accepted accounting standards for fiscal years beginning on or after January 1, 2011. Management is reviewing these changes and is assessing the impact on future reporting.

3. Accounts Receivable

Province of Prince Edward Island

The account receivable from the Province of $8,505,205 includes $6,887,571 that was invested in Provincial Deposit Receipts until March 31, 1997. At that time, Treasury Board directed the investment be redeemed and replaced by a non-interest bearing account receivable from the Province. In lieu of interest on investments, an annual payment of $175,000 is paid by the Province to the Fund. In addition, the Province pays interest on the remaining balance at the overnight call loan rate.

Recoveries receivable also includes $524,378 due from the Province.

PRINCE EDWARD ISLAND

SELF-INSURANCE AND RISK MANAGEMENT FUND

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

4. Reserve for Unsettled Claims

	Liability $	Property $	Auto $	2011 Total $	2010 Total $
Reserves, beginning of year	2,131,598	379,719	41,434	2,552,751	1,699,513
Change in Reserves					
Settlement costs	(662,178)	(258,923)	(134,619)	(1,055,720)	(1,474,098)
Professional service costs	(711,039)	(46,339)	(32,333)	(789,711)	(666,249)
Reserve expenses	2,484,103	537,574	291,700	3,313,377	2,993,585
	1,110,886	232,312	124,748	1,467,946	853,238
Reserves, end of year	3,242,484	612,031	166,182	4,020,697	2,552,751

5. Insurance Premiums Revenue

	2011 $	2010 $
General liability, errors and omissions	1,125,803	957,973
Primary property and crime	1,159,130	1,042,081
Automobile liability	406,795	375,738
Foster Parents Insurance Program	-	105,460
General government deductible	140,000	140,000
	2,831,728	2,621,252

6. Claim Recoveries

	2011 $	2010 $
General liability, errors and omissions	51,264	96,967
Change in estimated recoveries (Note 3)	512,438	43,167
	563,702	140,134
Primary property and crime	32,191	104,241
Change in estimated recoveries	(23,084)	48,084
	9,107	152,325
Automobile liability	38,587	44,110
Change in estimated recoveries	15,989	7,511
	54,576	51,621
	627,385	344,080

Claim recoveries include amounts recovered or receivable from both first and third parties in relation to individual claims.

PRINCE EDWARD ISLAND

SELF-INSURANCE AND RISK MANAGEMENT FUND

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2011

7. Consulting Expense

	2011 $	2010 $
Consulting - risk management	47,124	62,124
Consulting - legal and accounting	20,756	36,276
Property inspections and programs	16,520	2,620
	84,400	101,020

8. Insurance Premiums Expense

	2011 $	2010 $
General liability, errors and omissions	589,052	544,826
Primary property and crime	531,376	503,101
Automobile liability	149,248	149,248
	1,269,676	1,197,175

9. Financial Instruments

Financial instruments are classified as follows:

Accounts receivable	Loans and receivables
Accounts payable	Other liabilities

Due to their short-term nature, all financial instruments are considered to be carried at amounts which approximate their fair value. Carrying value is based on the value of the transaction on the date of occurrence.

10. Financial Risk Management Objectives and Policies

The Fund's risk management policies are part of the overall management of the entity's operations. Management's direct involvement in day-to-day operations identifies risks and variations from expectations leading to changes in risk management activities, requirements and actions. The Fund limits their claims risk by purchasing excess insurance to create additional coverage for liability on individual claims.

The self retention limits for the Fund per claim in the current fiscal year were:

Liability	$5,000,000
Property	$ 500,000
Auto	$1,000,000

10. Financial Risk Management Objectives and Policies (continued...)

Additional coverage from excess insurers provides the following coverage in addition to the Fund limits:

Liability	$10,000,000	and	$15,000,000 (Health)
Property	$50,000,000	and	$208,000,000 (Health)
Auto	$19,000,000		

11. Related Party Transactions

Premiums collected and first party claims paid are with government entities.

12. Cash Flow Statement

A cash flow statement has not been prepared as the required cash flow information is readily apparent from the other information included in these financial statements.

13. Prior Period Comparatives

Prior period results have been restated to conform to the presentation format adopted in the current period.

Finance and
Municipal Affairs